

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-13 EB-11 COME-00 INT-08 SCEM-02

OMB-01 TRSE-00 AID-20 IGA-02 OPIC-12 DRC-01 /181 W
----- 115045

P R 171650Z SEP 73

FM AMEMBASSY TEGUCIGALPA
TO SECSTATE WASHDC PRIORITY 5266
INFO AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY CARACAS

C O N F I D E N T I A L SECTION 1 OF 2 TEGUCIGALPA 3545

E.O. 11652: GDS

TAGS: BDIS ENRG PINT HO

SUBJ: PETROLEUM PROBLEM INTENSIFIED

REF: TEGUCIGALPA 3327, 3411, 3373

1. SUMMARY. PETROLEUM PROBLEM HAS TAKEN UNEXPECTED TURN. DISTRIBUTORS INFORMED SEPT. 14 OF PRICE INCREASES GRANTED REFINERY, AND FACT THAT NO INCREASES PERMITTED DISTRIBUTORS ON MOST PRODUCTS. HOWEVER, THIS ALREADY DIFFICULT PRICE PROBLEM NOW OVERSHADOWED BY MINECON PROPOSAL TO MAKE ILLEGAL, EFFECTIVE SEPT. 17, ANY REDUCTION IN NORMAL VOLUME OF PETROLEUM PRODUCTS DELIVERED BY DISTRIBUTORS (CHEVRON, ESSO, TEXACO, SHELL, AND COPENA) TO SERVICE STATIONS OR OTHER OUTLETS. REACTING TO THIS PROPOSAL, ASOCIACION NACIONAL DE INDUSTRIALES (ANDI) SENT TELEGRAPHIC APPEAL TO CHIEF OF STATE (C OF S) TO HOLD OFF APPROVAL. EMERGENCY MEETING OF CONSEJO HONDURENO EMPRESA PRIVADA (COHEP) CALLED FOR 17TH IN ORDER
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TO PRESENT ITS VIEWS TO C OF S. EMBASSY INTENDS TO BRING

INTENSE REACTION OF ESSO AND CHEVRON TO ATTENTION
RELEVANT MINISTERS AND C OF S AS OPPORTUNITY PERMITS.
DEVELOPMENTS WILL BE REPORTED AS AVAILABLE.

2. BACKGROUND. EVENING SEPT. 14, HONDURAS MANAGERS OF
ESSO AND CHEVRON AND REGIONAL ESSO OFFICIAL ADVISED
ECON OFFICER AS FOLLOWS. AT 11:30 AM, SEPT. 14
VILLANUEVA OF MINECON ADVISED ALL DISTRIBUTORS OF
"ACUERDO" OR EXECUTIVE LAW WHICH WOULD BECOME EFFECTIVE
SEPT. 17 WITH SIGNATURE OF (ONLY) MINECON BENNATON AND
C OF S LOPEZ. ACUERDO CONTAINED EXPECTED INCREASES OF
EX-REFINERY PRICES AGREED WITH TEXACO PREVIOUS WEEK.
HOWEVER, ADDITIONAL PARAS ESTABLISHED REQUIREMENT TO
MAINTAIN NORMAL VOLUME OF DELIVERIES AND ESTABLISHED
HIGH PENALTIES FOR VIOLATIONS OF ACUERDO.

3. FREE TRANSLATION POINT THREE OF ACUERDO. "THE
DISTRIBUTING COMPANIES SHOULD NOT DISCONTINUE THE NORMAL
SUPPLYING OF PETROLEUM PRODUCTS TO THEIR OWN STATIONS OR
OTHERS, NOR THE STATIONS TO THE PUBLIC, WITHOUT THE
PREVIOUS AUTHORIZATION OF THE SECRETARIAT OF STATE IN THE
MINISTRY OF ECONOMY. THIS SECRETARIAT MAY AUTHORIZE
THE CLOSING OF ONE OR MORE SERVICE STATIONS IF AND WHEN
IT IS SHOWN TO THE SECRETARIAT'S SATISFACTION, THAT
THE STATION'S OPERATION IS NOT ECONOMIC AND ITS CLOSURE
DOES NOT AFFECT THE PROVISION OF PET PRODUCTS IN ITS
AREA."

4. CHEVRON AND ESSO (AND WE BELIEVE TEXACO AND SHELL)
CONSIDER POINT THREE EFFECTIVELY BLOCKS MANAGEMENT
PREROGATIVES (COUPLED WITH EXISTING DICTATED PRICES)
SO AS TO CONSTITUTE SERIOUS THREAT TO CORPORATIONS'
CONTROL OF ITS BUSINESS. ANDI AVES.

5. TWO COMPANIES MENTIONED TOOK PROPOSED "ACUERDO" TO
ANDI EXECUTIVE MEETING. ANDI DIRECTORS, SENSING GOH
ATTACK AGAINST PRIVATE SECTOR WITH A NEW PRINCIPLE OF
GOVERNMENT INTERVENTION, SENT FOLLOWING CABLE TO C OF S
LOPEZ, FREE TRANSLATION:
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6. "WE HAVE SEEN THE PROJECTED ACUERDO FIXING PRICES
OF PETROLEUM PRODUCTS AND ARE GREATLY ALARMED AT CONTENTS
WHICH WE CONSIDER AN ATTACK AGAINST FREE ENTERPRISE. WE
ARE SURE YOU WILL UNDERSTAND THE SITUATION SURPRISES US
IN VIEW OF GUARANTEES YOUR GOVERNMENT HAS GIVEN TO
PRESERVE THE SYSTEM AND THE CLIMATE THAT ARE GUARANTEED
BY THE CONSTITUTION. WE ASK THAT THE ACUERDO NOT BE

PROMULGATED UNTIL PRIVATE ENTERPRISE STUDIES AND PRESENTS ITS CONSIDERATIONS, ANDI WILL MAINTAIN ITSELF IN PERMANENT SESSION AWAITING YOUR ANSWER, HAVING CONVOKED AN EMERGENCY SESSION OF COHEP FOR MONDAY, 17 SEPT., IN ORDER TO RAISE TO YOUR ATTENTION A COMBINED POSITION OF HONDURAN PRIVATE ENTERPRISE." SIGNED BY BENDECK, PRESIDENT OF ANDI.

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P R 171650Z SEP 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 5267

INFO AMEMBASSY GUATEMALA

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C O N F I D E N T I A L SECTION 2 OF 2 TEGUCIGALPA 3545

7. ANDI ACTION TAKEN NEITHER IN DEFENSE OF PETROLEUM DISTRIBUTORS NOR AT THEIR REQUEST. ANDI ACTION BASED UPON FEAR OF PRINCIPLE THAT GOVERNMENT MOVING TOWARD DISTRUCTION OF PRIVATE SECTOR IN GUISE OF PRICE CONTROL PROGRAM. SIMILAR MOVE IN CASE OF BREAD PRICES ALREADY BEATEN BACK. ANDI ALSO DEEPLY CONCERNED ABOUT FORM OF ACUERDO, WHICH IN DRAFT CARRIES ONLY SIGNATURE OF ONE MINISTER (BENNATON, WHO IS NOT TRUSTED) AND C OF S. ANDI CONSIDERS SUCH A SERIOUS STEP SHOULD AT LEAST HAVE FULL CABINET AIRING AND AGREEMENT.

8. COMMENT. EMBASSY CONSIDERS IT LIKELY THAT VILLANUEVA

DRAFTED POINT THREE SIMPLY IN ANTICIPATION OF

PROBABLE DISTRIBUTORS' RESPONSE TO THEIR HIGHER COSTS, I.E., CUT BACK OF LEAST ECONOMIC OPERATIONS, PARTICULARLY IN SOUTHERN HONDURAS WHICH IS MOST DISTANT FROM NORTH COAST REFINERY. NONETHELESS, DRAFT CONTAINS PRINCIPLE THAT GOVERNMENT CAN, IN ADDITION TO FIXING PRICES, ALSO FIX
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PRIVATE ENTERPRISE VOLUME OF SALES WHETHER ECONOMIC OR NOT AND ENFORCE THIS DECISION WITH HEAVY FINES. BUSINESS INTERESTS, ALREADY NERVOUS BECAUSE OF WHAT THEY CONSIDER PACK OF ECONOMIC PHILOSOPHY AND POLICY DEFINITION BY MILITARY GOVERNMENT, ARE REACTING STRONGLY. TIMING OF MINECON NOVE - ANNOUNCEMENT ON FRI NOON ON WEEKEND OF NATIONAL INDEPENDENCE DAY WITH EFFECTIVE DATE OF LAW ON MONDAY - INTENSIFIES SUSPICIONS OF PRIVATE SECTOR. ESSO ATTORNEY STATES ACUERDO ILLEGAL UNDER CONSTITUTION BUT COURTS PROVIDE NO USEFUL RECOURSE.
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